

Message Text

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TO AMEMBASSY KUWAIT

S E C R E T STATE 092482

FOLLOWING REPEAT CAIRO 6508 SENT ACTION SECSTATE INFO JIDDA
ALEXANDRIA DAMASCUS APRIL 19TH.

QUOTE: S E C R E T CAIRO 06508

E.O. 11652: GDS

TAGS: ETRD

SUBJECT: FAHMY AND ARAB BOYCOTT

SUMMARY: FAHMY INSISTS GOE HAS NO OBLIGATION ASSUME
RESPONSIBILITY TO HAVE BOYCOTT LIFTED ON FORD,
COCA COLA AND OTHER BOYCOTTED FIRMS. COMPANIES MUST
TAKE INITIATIVE. RECALLED HIS CONCEPTION HAD ALWAYS
BEEN THAT ONCE SATISFACTORY PROJECT WORKED OUT, FIRMS
WOULD BE PERMITTED OPERATE IN EGYPT. OTHER ARAB STATES
WOULD SOON FOLLOW EGYPT'S EXAMPLE. HE ACKNOWLEDGED
MINSTATE MOHAMED RIAD HAS FOR PAST YEAR PROPOSED THAT
GOE ACTIVELY WORK THROUGH MAHGOUB TO GET BOYCOTT LIFTED
ON FORD AND COCA COLA, BUT CLAIMED EVEN RIAD NOW REALIZES
THIS IDEA NOT FEASIBLE. ACCORDING FAHMY, WILLIAMS/
FREDERICK OF FORD ADVISED OF ABOVE. I EXPRESSED DIS-
APPOINTMENT, NOTING THIS IS A REVERSAL OF POSITION WE

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HAD BEEN DISCUSSING WITH GOE (RIAD) PAST YEAR OR MORE.
FAHMY SHRUGGED THIS OFF. TOLD ABOUT EGYPTIAN BOYCOTT
OFFICE'S WILLINGNESS GO TO BAT FOR COKE AT UPCOMING
MEETING IN MAY, FAHMY INDICATED NO OBJECTION IF IT DID
SO IN BEHALF OF COKE OR OTHER BOYCOTTED COMPANIES.
HOWEVER, BOYCOTTED COMPANIES MUST ASSUME PRIMARY
RESPONSIBILITY IN TERMS OF REQUESTING BOYCOTT AUTHORITIES

TO LIFT BOYCOTT. END SUMMARY.

1. WHEN WITH FAHMY TODAY I RASIED THE MATTER OF GOE POSITION ON ASSISTING FORD, COCA COLA AND OTHER BOYCOTTED FIRMS TO GET OFF THE BOYCOTT. I NOTED BOTH FORD AND COCA COLA PROJECTS HAVE BEEN APPROVED IN PRINCIPLE, BUT COMPANIES HAD BEEN INFORMED THEY MUST ASSUME RESPONSIBILITY FOR LIFTING BOYCOTT. THIS SEEMED IN CONTRADICTION TO PROCEDRUES WHICH HAD BEEN DISCUSSED WITH MINSTATE MOHAMMED RIAD MUCH OF LAST YEAR. I RECALLED THAT FAHMY HAD INITIALLY HAD THE IDEA THAT FORD AND COCA COLA WOULD SIMPLY BE ALLOWED TO OPERATE IN EGYPT, BUT SUBSEQUENTLY RIAD HAD INDICATED HE HAD BEEN PLACED IN CHARGE OF GETTING APPROVED COMPANIES OFF BOYCOTT LIST AND THAT GOE WAS PREPARED TO GO TO BAT FOR THEM. OF LATE, JUDGING FROM COMMENTS MADE BY FORD AND COCA COLA REPS, GOE SEEMED TO BE PLACING RESPONSIBILITY ON COMPANIES TO GET OFF THE BOYCOTT. I HOPED THAT, AS GOE HAD PREVIOUSLY PROMISED, GOE WOULD ASSUME RESPONSIBILITY FOR THIS.

2. FAHMY INSISTED THAT IT IS A COMPANY RESPONSIBILITY TO GET OFF THE BOYCOTT LIST. HE RECALLED THAT THERE IS NO REFERENCE IN ANY OF THE SINAI II EGYPTIAN DOCUMENTS TO THE BOYCOTT AND THAT GOE HAD SIMPLY UNDERTAKEN TO ASSIST AMERICAN FIRMS WITH FEASIBLE PROJECTS TO WORK IN EGYPT. AS HE HAD INDICATED FROM THE BEGINNING, ONCE SATISFACTORY PROJECTS HAVE BEEN ARRIVED AT, GOE WILL PERMIT FORD, COCA COLA AND OTHERS TO OPERATE IN EGYPT,
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BUT EGYPT CANNOT GET THEM OFF THE BOYCOTT LIST. HE ACKNOWLEDGED THAT MOHAMMED RIAD HAD SOUGHT TO CARRY THE BALL MUCH OF LAST YEAR AND HAD PROPOSED WORKING THROUGH MAHGOUB TO LIFT THE FORD AND COCA COLA BOYCOTT. AS PRICE FOR FAHMY'S AGREEMENT TO EXTEND MAHGOUB'S TOUR BY ANOTHER TWO YEARS, THE LATTER HAD ALLEGEDLY AGREED TO ASSIST IN GETTING FORD OFF THE LIST. SUBSEQUENTLY, HOWEVER, MAHGOUB HAD BECOME DIFFICULT AND EVEN RIAD NOW REALIZES THAT HIS IDEA IS NOT FEASIBLE.

3. FAHMY STATED THAT THE INVESTMENT AUTHORITY'S APPROVALS FOR FORD AND COCA COLA HAD INCLUDED A CLAUSE "PROVIDED THE COMPANY GETS OFF THE BOYCOTT LIST." HE HAD GIVEN INSTRUCTIONS THAT THIS CLAUSE BE DROPPED. NEVERTHELESS, HE INSISTED, GOE CANNOT TAKE THE RESPONSIBILITY TO GET THE FIRMS OFF THE BOYCOTT LIST. HE CLAIMED HE HAD PREVIOUSLY TOLD WILLIAMS/FREDERICKS OF FORD THAT THIS WAS THE CASE. HE HAD TOLD THEM THAT ONCE A PROJECT WAS APPROVED AND FINACING AVAILABLE AND ONCE HE WAS SATISFIED

WITH THE PROJECT, HE WOULD GIVE PERMISSION FOR FORD TO WORK IN EGYPT. IT WAS HIS UNDERSTANDING IT WILL TAKE AT LEAST TWO YEARS BEFORE PRODUCTION BEGINS AND BY THAT TIME HE WAS CONFIDENT OTHER ARAB COUNTRIES WILL VOLUNTARILY HAVE FOLLOWED EGYPT'S EXAMPLE. SINCE WILLIAMS/FREDERICKS HAD TOLD HIM OF OTHER ARAB STATES' INTEREST IN FORD PROJECTS, HE HAD TOLD THEM THAT THIS SHOULD BE NO PROBLEM. GOE MIGHT BE CRITICIZED BY SOME RADICAL STATES FOR ALLOWING FORD TO OPERATE IN EGYPT, BUT THIS COULD BE HANDLED. IF GOE GIVES PERMISSION TO FORD TO OPERATE IN EGYPT, FAHMY HAD TOLD WILLIAMS/FREDERICKS, THIS SHOULD HAVE SAME EFFECT AS GETTING OFF THE BOYCOTT. FAHMY CLAIMED THAT ALTHOUGH WILLIAMS/FREDERICKS HAD RAISED NEED TO MARKET FORD PROJECTS IN OTHER ARAB COUNTRIES, THEY HAD ACKNOWLEDGED THAT THIS WAS NOT AN INSURMOUNTABLE PROBLEM AND THAT SUCH MARKETING MIGHT BE ARRANGED THROUGH SOME INDIRECT CHANNEL.

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4. I TOLD FAHMY THAT I WAS DISAPPOINTED. FOR THE BETTER PART OF A YEAR WE HAD BEEN ASSURED THAT THE GOE WOULD TAKE THE INITIATIVE TO HAVE THE BOYCOTT ON FORD AND COCA COLA LIFTED, ONLY TO FIND NOW THAT THE SIGNALS ARE REVERSED AND THAT THE COMPANIES ARE EXPECTED TO DO SO. IF EGYPT IS THE LEADER OF THE ARAB WORLD, AS WE ARE SO FREQUENTLY TOLD, I COULD NOT SEE ANY REASON WHY GOE SHOULD NOT TAKE THE INITIATIVE. MOREOVER, OUR PERTINENT TALKS WITH RIAD HAD BEEN CONDUCTED IN GOOD FAITH AND THIS REVERSAL OF POSITION WAS HARDLY HELPFUL TO GOE'S CREDIBILITY. FAHMY RESPONDED THAT "RIAD IS RAID AND FAHMY IS FAHMY." HE HAD ALLOWED RIAD TO TRY OUT THE LATTER'S IDEAS, BUT THESE HAD PROVEN TO BE UNWORKABLE.

5. I THEN MENTIONED TO FAHMY COCA COLA VP SAM AYOUB'S DISCUSSIONS IN ALEXANDRIA REPORTED CAIRO'S 6377. FROM WHAT AYOUB HAD TOLD ME, THE EGYPTIAN BOYCOTT OFFICE SEEMED TO BE WILLING TO GO TO BAT IN COKE'S BEHALF DURING THE UPCOMING BOYCOTT MEETING IN MAY. IF THIS WAS REALLY MEANT, I THOUGHT IT WAS A CONSTRUCTIVE STEP AND SAW NO REASON WHY THIS SHOULD NOT ALSO BE DONE FOR FORD AND OTHER BOYCOTTED AMERICAN FIRMS. FAHMY AGREED THAT, IF EGYPTIAN BOYCOTT OFFICE IS PREPARED TO DO SO, HE HAS NO OBJECTION TO ITS ARGUING THE CASE AT THE MAY MEETING. IF ASKED, HE WOULD BE PREPARED TO ENCOURAGE THEM TO DO SO, BUT THE BOYCOTTED COMPANIES, HE INSISTED, MUST ASSUME PRIMARY RESPONSIBILITY.

6. COMMENT: WORKING WITH FAHMY ON THE BOYCOTT IS A BIT LIKE FOLLOWING THE BOUNCING BALL. WHAT HE IS NOW

SAYING IS IN FACT WHAT HE INITIALLY SAID, BUT QUITE
INCONSISTENT WITH RIAD'S CONCEPT OF THE PAST YEAR.
RIAD ALWAYS INDICATED THAT HE WAS SPEAKING WITH FAHMY'S
SPECIFIC APPROVAL, BUT FAHMY OW DENIES THIS. THIS IS
DISINGEUOUS SINCE RIAD WILL DO NOTHING WITHOUT FAHMY'S
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APPROVAL. FOR REASONS THAT ARE NOT ENTIRELY CLEAR,
FAHMY SEEMS TO HAVE CONCLUDED THAT THE RISK OF GOE DOING
BATTLE WITH THE BOYCOTT OFFICE IN FORD AND COCA COLA'S
BEHALF IS TOO GREAT. INSTEAD, AT LEAST SO FAR AS FORD
IS CONCERNED, HE HAS REVERTED TO HIS EARLIER IDEA THAT
FORD SIMPLY BE ALLOWED TO OPERATE IN EGYPT ON THE
ASSUMPTION THAT OTHER ARAB STATES WILL SOON FOLLOW.
THE INCONSISTENCY OF THE GOE POSITION IS EVIDENT FROM
THE FACT THAT, IF COCA COLA VP AYOUB IS CORRECT, THE
EGYPTIAN BOYCOTT OFFICE IS PREPARED TO FIGHT COE'S
CASE AT TTHE UPCOMING BOYCOTT CONFERENCE. IN A SENSE,
OF COURSE, COKE HAS ALREADY TAKEN AN INITIATIVE BY
SUBMITTING A LETTER TO THE ALEXANDRIA BOYCOTT OFFICE
AND, IF IT DECIDES TO GO THROUGH WITH IT, SENDING A
SUPPLEMENTARY LETTER ABOUT ITS PLANS FOR THE ME. IN
ANY EVENT, BOYCOTTED AMERICAN COMPANIES WANTING TO
WORK IN EGYPT WILL HAVE TO BE ADVISED THAT GOE EXPECTS
THEM TO ASSUME PRIMARY RESPONSIBILITY FOR GETTING OF
THE BOYCOTT LIST, WHETHER OR NOT SPECIFIC LANGUAGE TO
THAT EFFECT IS INCLUDED IN APPROVAL DOCUMENTS. EILTS
UNQUOTE VANCE

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